

If a retailer accepts a coupon for which he will receive full or partial reimbursement, the value of that reimbursement must be included in the retailer's "gross receipts" that are subject to Retailers' Occupation Tax. See 86 Ill. Adm. Code 130.2125. (This is a GIL.)

January 4, 1999

Dear Mr. Xxxxx:

This letter is in response to your letter dated November 10, 1998. The nature of your letter and the information you have provided require that we respond with a General Information Letter which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 86 Ill. Adm. Code 1200.120(b) and (c), enclosed.

In your letter, you have stated and made inquiry as follows:

I am writing about the manner in which BUSINESS has been calculating the 6.25% sales tax here in NAME County.

When I purchased a bottle of Purex laundry detergent at COMPANY for \$1.98 (\$2.79 - 81 cents to match BUSINESS's price), the 6.25% sales tax came out to be 12 cents.

When I purchased 24 cans of Coca Cola at STORE for \$3.99 (regular price of \$6.99 minus savings of \$3.00), the 6.25% sales tax came out to be 25 cents. (Which was not affected by a manufacturer's coupon presented.)

When I purchased a bottle of Purex laundry detergent at BUSINESS for \$1.98 (regular price of \$3.99 minus the BUSINESS discount of \$2.01, considered as a manufacturer's coupon), 6.25% sales tax was 25 cents.

In a letter received from BUSINESS' Main Office in CITY, IL, in April of 1997, an explanation was offered for the discrepancy in the amount of sales tax collected. You will find a copy of that letter enclosed.

But I am still dubious and am thus asking you for an official explanation.

[These past two weeks, a number of grocery stores have featured 128-ounce Purex on special sale: COMPANY = \$2.79. STORE2= \$2.78. BUSINESS = \$1.98. Is the manufacturer of Purex offering a special discount only to BUSINESS?]

Thank you for your kind attention to the foregoing matter.

Enclosed is a copy of Section 130.2125 of the Department's administrative regulations entitled "Trading Stamps and Discount Coupons". As you can see from this regulation, if a retailer accepts a coupon for which he will receive full or partial reimbursement, the value of the coupon constitutes "gross receipts" that are subject to Retailers' Occupation Tax. The coupon issuer, technically, owes the corresponding Use Tax on this value. However, most times, the issuer will incorporate language into the coupon that requires the bearer (purchaser) to assume this Use Tax liability. Consequently, the purchaser owes tax on the value of the coupon. If, however, the retailer accepts a coupon for which he will receive no reimbursement, then the coupon value does not become part of the gross receipts subject to tax.

I hope this information is helpful. The Department of Revenue maintains a Web site which can be accessed at [www.revenue.state.il.us](http://www.revenue.state.il.us). If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of the enclosed copy of Section 1200.110(b).

Very truly yours,

Melanie A. Jarvis  
Associate Counsel

MAJ:msk  
Enc.